

**KENTUCKY FORM 740
INDIVIDUAL INCOME TAX RETURN
1997 INSTRUCTIONS**

HIGHLIGHTS

★ **ADDRESS LABELS**—Use the preprinted, bar-coded labels provided. The primary Social Security number has been converted to UPC bar code that can be read by scanners. This will enable us to tell you that your return has been received and provide information about your refund once the return has been processed. If the address is incorrect, correct it on the label. If the name or Social Security number is incorrect, discard the labels and print the requested information in the blocks provided. **The labels are for informational purposes only and do not increase your chances of being audited. Use of the labels speeds processing and enhances accuracy.**

★ **ARTIS**—The Automated Refund and Tax Information System, ARTIS, is available to provide information by telephone on the receipt of your tax return. If you file your return with the Cabinet's preprinted labels affixed to the envelope and the tax return, you will be able to access this ARTIS information using a touch-tone telephone. The automated system telephone number is (502) 564-1600. **If you do not use the bar-coded labels, this information will not be available to you.**

★ **ENVELOPES**—Use the blue envelope for refund returns. Use the yellow envelope for pay returns. Affix the label marked for the envelope in the return address area of the envelope you use. The size of the envelope has been increased which means your return only needs to be folded in half. This reduces the thickness of the envelope and increases the efficiency of our mail opening equipment.

★ **RETIREMENT INCOME**—For 1997, Kentucky allows up to 75 percent of previously taxable retirement income to be excluded from income. Schedule P, Pension Income Exclusion, must be completed and attached to Form 740 to claim the retirement income exclusion.

★ **ELECTRONIC FILING**—Kentucky, in cooperation with the Internal Revenue Service, offers joint federal/Kentucky electronic filing to the taxpayers of the Commonwealth of Kentucky. Electronic filing is a fast and accurate method of filing your Kentucky individual income tax return. **This year the Cabinet will accept electronic returns until October 15, 1998.**

What are the benefits of filing the Kentucky return electronically?

- Acknowledgement that the return has been received by the Kentucky Revenue Cabinet.
- Accuracy of the return; many common errors do not occur on electronic returns due to software edits.
- Refunds are generally processed within 21 days.
- Direct deposit of refund is available **only to electronic filers.**
- Tax due returns can be filed and not paid until April 15, 1998. Payment reminders and vouchers are sent prior to the due date. Tax due returns filed after the due date may be subject to penalties and interest the same as paper returns. See the instructions for penalties and interest.

How can you file the return electronically?

- File the federal return electronically. A Kentucky return cannot be filed electronically unless it is filed at the same time as the federal return.
- Use an authorized electronic filer. Preparers and transmitters are approved and monitored by the Internal Revenue Service. Kentucky requires IRS approval and the use of Kentucky authorized software.
- **Do not sign Form 8453 or Form 8453-K until you have reviewed your prepared return and verified the figures on the tax return and Form 8453 or Form 8453-K.** Form 8453 and Form 8453-K must be completely filled out prior to your signature. In no instance should you sign a blank form. Your signature on these forms serves as the signature verifying the tax information reported on your return.
- If you owe additional tax with your return, your return can be transmitted electronically and payment not submitted until April 15, 1998. Payment reminders and vouchers are sent prior to the due date of the return. Tax due returns filed after the due date may be subject to penalties and interest the same as paper returns. See the instructions for penalties and interest.

FORM 740

Form 740 must be used by full-year Kentucky residents who meet the filing requirements listed below and: (1) have farm, business or capital gain income or losses; (2) itemize deductions; (3) claim the child and dependent care credit; (4) have additions to or subtractions from federal adjusted gross income (see instructions for Lines 7 and 9); (5) report on an accrual basis; (6) have more than \$400 (\$800 joint) of interest income; (7) have more than \$400 (\$800 joint) of dividends; or (8) claim Kentucky estimated tax payments as a credit against tax.

Other full-year residents may use Form 740-EZ or 740-S.

Persons who moved into or out of Kentucky during the taxable year cannot use Form 740, 740-EZ or 740-S. They must

file Form 740-NP. Nonresidents who had income from Kentucky sources must use Form 740-NP.

Forms and instructions are available at many libraries, post offices, courthouses, banks and all Kentucky Taxpayer Service Centers. They may also be obtained by writing FORMS, Revenue Cabinet, Frankfort, KY 40620, or by calling (502) 564-3658. In addition forms are available through the Revenue Cabinet's fax-on-demand system, TaxFax, at (502) 564-4459 or at KRC's home page on the Internet at <http://www.state.ky.us/agencies/revenue/revhome.htm>.

COMPUTER-GENERATED RETURNS

Many computer-generated forms are acceptable for filing your Kentucky individual income tax return. Check your software information or check with your vendor to be sure your software generates an acceptable form.

WHO MUST FILE A KENTUCKY INCOME TAX RETURN

If you were a Kentucky resident for the entire year, your filing requirement depends upon the amount of Kentucky adjusted gross income (Line 10, Columns A and B), age and whether you or your spouse are legally blind. You must file a return if:

YOUR FILING STATUS IS	AND	ADJUSTED GROSS INCOME EXCEEDS
Single Person—Under age 65		\$5,000
Single Person—Age 65 or over or blind		\$5,000
Single Person—Age 65 or over and blind		\$5,000
Husband and Wife—Both under age 65		\$5,000
Husband and Wife—One 65 or over		\$5,000
Husband and Wife—Both age 65 or over		\$5,400

Any person with gross receipts of \$5,000 or more from self-employment must file a Form 740 regardless of the amount of adjusted gross income or the number of tax credits claimed.

In some cases part-time or part-year workers have income taxes withheld from their paychecks. Even though the filing requirements are not met, an income tax return must be filed to claim a refund of the Kentucky taxes withheld.

A child meeting the filing requirements must file a return even though being claimed as a dependent by the parent. Kentucky income tax law contains no special provisions for taxing the income of a minor child at the parent's tax rates nor the reporting of income of a child on the parent's return.

Generally, all income of Kentucky residents, regardless of where it was earned, is subject to Kentucky income tax.

Nonresidents and part-year residents must report income on Form 740-NP.

MILITARY PERSONNEL—Members of the Armed Forces are required to file state income tax returns with their state of legal domicile, which usually is the state of residence prior to entering military service. Persons serving outside of the United States are considered residents and are not exempt from taxes because of foreign assignments.

Kentucky residents who are in the military are often granted extensions for military service when serving outside the United States. Any extension granted for federal income tax purposes will be honored for Kentucky income tax purposes. Any income earned in a combat zone that is exempt for federal tax purposes is also exempt for Kentucky tax purposes.

WHEN TO FILE—April 15, 1998, is the filing deadline for persons reporting income for calendar year 1997. To avoid penalties and interest, returns must be postmarked no later than April 15.

COPY OF FEDERAL RETURN

You must attach a complete copy of your federal return if:

- (1) you received farm, business, rental or capital gain income or loss;
- (2) you received taxable interest and/or dividends of more than \$400 (\$800 joint); or
- (3) you entered a subtraction from federal adjusted gross income exceeding \$1,000 on Form 740, Line 9.

The Kentucky Revenue Cabinet does not require copies if none of the above apply or if you filed Form 1040EZ. Check the box on Form 740, page 2, if you are not required to attach a copy of your federal return.

TAXPAYER ASSISTANCE

Automated Refund and Tax Information System

Information may be obtained on the status of income tax refunds by using the Cabinet's automated refund and tax information system (ARTIS). This service is available 24 hours a day.

A touch-tone telephone and the following information from your return will be required:

- Social Security number shown first on your label or listed first on your return.
- The **exact** whole-dollar amount to be refunded to you.

Once you have the required information, call (502) 564-1600 and follow the recorded instructions.

If during the call you do not receive a refund mailing date, please allow seven days before calling again.

Information and forms are available from Kentucky Taxpayer Service Centers in the following cities:

Ashland

134 Sixteenth Street, 41101-7670
(606) 920-2037

Bowling Green

1502 Westen Street, 42104-3356
(502) 746-7470

Corbin

Falls Road Plaza, 1707 18th Street, Suite 5, 40701-8676
(606) 528-3322

Frankfort

200 Fair Oaks Lane, 40620-0001
(502) 564-4581
(502) 564-3058 (Telecommunication Device for the Deaf)
(502) 564-3658 (Forms)
(502) 564-4459 (Forms by Fax)
<http://www.state.ky.us/agencies/revenue/revhome.htm>
(Internet)

Hazard

233 Birch Street, 41701-2179
(606) 435-6017

Hopkinsville

105 Hammond Plaza, 4011 Ft. Campbell Blvd., 42240-4929
(502) 889-6521

Lexington

301 East Main Street, Suite 500, 40507-1556
(606) 246-2165

Louisville

620 South Third Street, Suite 102, 40202-2446
(502) 595-4512

Northern Kentucky

Turfway Ridge Office Park, 7310 Turfway Road
Florence, 41042-1385
(606) 371-9049

Owensboro

Building C, Suite 201, 401 Frederica Street, 42302
(502) 687-7301

Paducah

Paducah Bank Building, Suites 302/306
555 Jefferson Street, 42001-1001
(502) 575-7148

Pikeville

5333 North Mayo Trail, 41501-8230
(606) 433-7675

SPECIAL ITEMS

Confidentiality—Kentucky Revised Statute 131.190 requires the Revenue Cabinet to maintain strict confidentiality of all taxpayer records. No employee of the Revenue Cabinet may divulge any information regarding the tax returns, schedules or reports required to be filed. However, the Revenue Cabinet is not prohibited from providing evidence to or testifying in any court of law concerning official tax records.

Further, the Cabinet may provide official information on a confidential basis to the Internal Revenue Service or to any other governmental agency with which it has an exchange of information agreement whereby the Cabinet shall receive similar or useful information in return.

Personal Property—Kentucky taxpayers are reminded to report all taxable personal property, except motor vehicles, owned on January 1 to either the Property Valuation Administrator in the county of residence (or location of business) or the Department of Property Taxation in Frankfort. Intangible personal property is to be reported on the Intangible Property Tax Return, Form 62A376, and tangible personal property is to be reported on the Tangible Personal Property Tax Return, Form 62A500. The due date for these returns is May 15. **Do not mail these returns with your income tax return; use a separate envelope.**

Nature and Wildlife Fund—Contributions to this fund are used to acquire and manage Kentucky's finest natural areas as state nature preserves and to care for all wildlife not taken by hunting or fishing. The Kentucky Department of Fish and Wildlife Resources and the Kentucky State Nature Preserves Commission work together to protect Kentucky's rare plants and animals; acquire the most precious and threatened forests, wetlands and prairies; and manage Kentucky's diverse wildlife. Your tax deductible contributions play a critical role in protecting and managing the best examples of Kentucky's natural environment for the future. The amount entered on Line 24 will reduce your refund accordingly. *Contributions may also be made directly to the Nature and Wildlife Fund, P.O. Box 311, Frankfort, KY 40602.*

Child Victim's Trust Fund—You may contribute all or a portion of your overpayment to this fund which is administered through the Attorney General's Office. This fund finances local programs designed to prevent the sexual abuse and exploitation of children. This undertaking relies solely on the tax deductible contributions made by interested citizens. The amount of contribution entered on Line 25 will

reduce your refund accordingly. *Contributions may also be made directly to the Child Victim's Trust Fund, c/o Kentucky Attorney General, Capitol Building, Frankfort, KY 40601.*

Bluegrass State Games and U.S. Olympic Committee Fund—You may contribute all or a portion of your overpayment to the Bluegrass State Games and U.S. Olympic Committee Fund. This fund provides Kentuckians a wholesome avenue for personal development through participation in the Bluegrass State Games and assists Kentucky's Olympic hopefuls with the funding needed to train for the Olympic Games. The amount of contribution entered on Line 26 will reduce your refund accordingly. *Contributions may also be made directly to the Bluegrass State Games and U.S. Olympic Committee Fund, Office of the Governor, Capitol Building, Frankfort, KY 40601.*

Veterans' Program Trust Fund—You may contribute all or a portion of your income tax overpayment to the Veterans' Program Trust Fund. The fund is administered by the Department of Military Affairs solely for the benefit of veterans' programs. The amount of contribution entered on Line 27 will reduce your refund accordingly. *Contributions may also be made directly to the Kentucky Veterans' Program Trust Fund, c/o Division of Veterans' Affairs, Boone Center, Frankfort, KY 40601.*

Kentucky Educational Savings Plan Trust—The Kentucky General Assembly created the Kentucky Educational Savings Plan Trust in which citizens of the Commonwealth and others may invest monies for future higher educational use. The law provides that the trust may accept investments from individuals through participation agreements for use by a designated beneficiary in meeting the cost of post-secondary education expenses. Such participant investments are not tax deductible but any income earned from these investments is exempt from Kentucky income tax. For additional information, write to the Kentucky Educational Savings Plan Trust, 1050 U.S. 127 South, Suite 102, Frankfort, KY 40601-4323 or call toll-free 1-800-338-0318.

REPORTING PERIODS AND ACCOUNTING PROCEDURES

Kentucky law requires taxpayers to report income on the same calendar or fiscal year and to use the same methods of accounting as required for federal income tax purposes. Any federally approved change in accounting period or methods must be reported to the Kentucky Revenue Cabinet. Attach a copy of the federal approval.

1997 FEDERAL/KENTUCKY INDIVIDUAL INCOME TAX DIFFERENCES

Kentucky income tax law is based on the federal income tax law in effect on December 31, 1997. The Revenue Cabinet generally follows the administrative regulations and rulings of the Internal Revenue Service in those areas where no specific Kentucky law exists.

The chart below was prepared as a quick reference guide to the major federal/Kentucky differences. It is not intended to be all inclusive. Items not listed may be referred to the Revenue Cabinet to determine Kentucky tax treatment.

PROVISION	FEDERAL TAX TREATMENT	KENTUCKY TAX TREATMENT
1. Interest from Federal Obligations	Taxable	Exempt
2. Retirement Income from:		
Kentucky Teachers' Retirement System	Taxable	Exempt; Schedule P required
Kentucky State Employees' Retirement System	"	"
County Employees' Retirement System (Kentucky)	"	"
Kentucky State Police Retirement System	"	"
Kentucky Judicial Retirement Plan	"	"
Kentucky Legislators' Retirement Plan	"	"
Kentucky State-Supported Institutions of Higher Education Retirement Plans (institution-sponsored)	"	"
Kentucky Local Government Retirement Systems	"	"
Federal and Military Retirement Systems		
3. Pensions & Annuities Starting After 7/1/86 and Before 1/1/90	3-year recovery rule eliminated	3-year recovery rule retained
4. Pension and Annuity Exclusion	Taxable	75% excludable up to \$18,750; Schedule P required
5. Benefits from U.S. Railroad Retirement Board	May be taxable	Exempt; Schedule P may be required
6. Social Security Benefits	May be taxable	Exempt
7. Capital Gains on Sale of Kentucky Turnpike Bonds	Taxable	Exempt
8. Other States' Municipal Bond Interest Income	Exempt	Taxable
9. Kentucky Local Government Lease Interest Payments	Taxable	Exempt
10. Net Capital Gains (Losses)	100% taxable (deductible)	100% taxable (deductible) (may be different due to carryover amounts)
11. Transition Carryover Amount (Depreciation)	Does not apply	Kentucky income (deduction) carryover; 1994 Form 762TS required
12. Self-employment Tax Deduction	Deductible	Limited—based on Kentucky income
13. Rural Mail Carriers Business Expenses (mileage allowance)	47.25¢ per mile	Limited to 31.5¢ per mile
14. Artistic Contributions	Noncash contribution allowed as itemized deduction	Appraised value allowed as itemized deduction or adjustment to income
15. State Income Taxes	Deductible	Nondeductible
16. Leasehold Interest—Charitable Contribution	May be deductible	Deductible; Schedule HH required
17. Discrimination—Deductions	May be deductible	Nondeductible
18. Kentucky Unemployment Tax Credit	No credit allowed	\$100 per certified employee; Schedule UTC required
19. Work Opportunity Credit (federal Form 5884)	Tax credit allowed; wage expense reduced by amount of credit	No credit allowed; entire wage expense is deductible
20. Credit for Elderly & Disabled	Credit allowed	No credit allowed
21. Child & Dependent Care Credit	Tax credit based on expenses	20% of federal credit
22. Low Income Credit	No credit allowed	Decreasing tax credit allowed
23. Recycling and/or Composting Equipment Tax Credit	No credit allowed	Tax credit allowed; Schedule RC or RC(K-1) required
24. Taxpayer who may be Claimed as Dependent on Another's Return (i.e., full-time student)	May not claim self	May claim self
25. Child's Income Reported by Parent	Permitted; taxed at parent's rate	Not permitted

COMPLETING FORM 740

Complete your federal tax return first. If you are not required to file a federal tax return, see instructions for Line 6.

FOR FISCAL YEAR FILERS ONLY—Most people pay taxes for a calendar year. However, if you file for a taxable year other than a calendar year or for part of a year, enter the beginning and ending dates of that year on the line at the top of the form.

PLEASE USE THE ADDRESS LABELS—These labels contain your Social Security number printed in bar code format which can be read by the Revenue Cabinet's equipment. Use the label marked for the return on the Form 740 you file with the Cabinet. Use the other label in the return address portion of the envelope. If the address information is incorrect, draw a line through the incorrect information and print the correct information. If the name or Social Security number is incorrect, do not use either label. If someone other than yourself prepares your tax return, please furnish the labels to the preparer and request that they be used on your return. **The labels are for identification purposes only and do not increase your chances of being audited. Use of the labels speeds processing and enhances accuracy.**

SOCIAL SECURITY NUMBERS—Please write the Social Security numbers of yourself and your spouse in the block at the top right of the form.

POLITICAL PARTY FUND DESIGNATION—You may designate \$2 of your taxes to either the Democratic or Republican party if you have a tax liability of at least \$2 (\$4 for married persons filing joint returns). Fifty cents will be paid to the corresponding political organization in your county of residence and the remainder will be paid to the respective state political party. *This designation will not increase your tax or decrease your refund.* You may make this designation by checking the applicable box. A husband and wife may each make a designation. Persons making no designation should check the "No Designation" box.

FILING STATUS

Legal liabilities are affected by the choice of filing methods. Married persons who file joint or combined returns are jointly and severally liable for all income taxes due for the period covered by the return. That is, each spouse may be held legally responsible for payment of taxes on income earned by the other. If spouses want to credit the refund of one against the liability of the other or combine their tax liabilities or refunds, they must file a combined return. **If spouses want to keep their tax liabilities and/or refunds separate, each must file a separate tax form.**

Check the box that describes your filing status. If you are married, filed a joint federal return and both you and your spouse had income, you may be able to reduce your tax by using Filing Status 2 rather than Filing Status 3.

Filing Status 1, Single—Use this filing status if you are unmarried, divorced, widowed, legally separated by court decree, or if you filed as "Head of Household" or "Qualifying Widow(er)" on your federal return.

Filing Status 2, Married Filing Separately on This Combined Return—Use this filing status to report your incomes individually but on only one tax form. You do this by filling in both Columns A and B. You may file separately on this combined return regardless of whether you filed jointly or separately for federal purposes if both you and your spouse had income. This filing status usually results in a lower tax than Filing Status 3.

Each spouse must claim his or her own income and deductions. The total of Line 6, Columns A and B, must equal your federal adjusted gross income.

Filing Status 3, Married Filing Joint Return—Use this filing status if you and your spouse choose to file a joint return even if one spouse had no income. Jointly means that you and your spouse add your incomes together and report in Column B.

Filing Status 4, Married Filing Separate Returns—If using this filing status, you and your spouse must file two separate tax forms. The husband's income is reported on one tax form, the wife's on the other. When filing separate returns, the name and Social Security number of each spouse must be entered on both returns. Enter the spouse's Social Security number in the block provided, and enter the name on Line 4.

TAX CREDITS (COMPLETE PART I, PAGE 2)

Yourself—You are always allowed to claim a tax credit for yourself (even if your parent(s) can claim a credit for you on their return). On Line 34(a), there are five boxes under three separate headings. Always check the box under "Check Regular" to claim a tax credit for yourself. *If 65 or older*, also check the next two boxes on the line. *If legally blind*, also check the last two boxes on the line.

Your Spouse—Do not fill in Line 34(b) if (1) you are single; (2) you are married and you and your spouse are filing two separate returns; or (3) your spouse received more than half of his or her support from another taxpayer. However, if your spouse died during the taxable year, you may claim a credit for the deceased on Line 34(b).

Fill in Line 34(b) if you are married and (1) you and your spouse are filing a joint or combined return, or (2) if your spouse had no income or is not required to file a return. If you meet these criteria, check the first box on Line 34(b) for your spouse. *If your spouse is 65 or older*, also check the next two boxes. *If your spouse was legally blind at the end of the taxable year*, also check the last two boxes on Line 34(b).

Dependents—You are allowed to claim a tax credit for each person defined as a dependent in the Internal Revenue Code. Generally, dependents who qualify for federal purposes also qualify for Kentucky.

Use Line 35 to claim tax credits for your dependent children, including stepchildren and legally adopted children, who lived with you during the taxable year.

Use Line 36 to claim tax credits for your dependent children who did not live with you and to claim tax credits for other persons who qualify as dependents.

Children of Divorced or Separated Parents—Attach a copy of federal Form 8332 filed with your federal return.

Tax Credits for Individuals Supported by More Than One Taxpayer—Attach a copy of federal Form 2120 filed with your federal return.

NATIONAL GUARD MEMBERS—Persons who were members of the Kentucky National Guard on December 31, 1997, may claim an additional credit on Line 35. Designate this credit with the initials "N.G." Kentucky law specifically restricts this credit to Kentucky National Guard members; military reserve members are not eligible.

DIVIDING THE CREDITS

Each taxpayer must claim all of his or her own tax credits including the credits for age and blindness. Therefore, if married, *each spouse must claim at least one credit*. However, spouses may divide tax credits for dependents, or one spouse may claim all **dependent** credits and the other none.

Example I—A husband who is 65 and a wife who is 60 are filing a combined return. The husband must claim three credits (one regular and two for being 65 or older), and the wife must claim one.

Example II—A husband and wife have two dependents. The husband must claim his regular credit, and the wife must claim hers. However, the two dependent credits may be claimed by either spouse, or each spouse may claim one.

LINE 6, FEDERAL ADJUSTED GROSS INCOME

Enter the total amount of your federal adjusted gross income from your federal income tax return in Column B if Filing Status 1, 3 or 4 is used. Use Column A only when entering your spouse's income on a combined return (Filing Status 2). When using Filing Status 2, Columns A and B, Line 6, must equal your federal adjusted gross income. **(Do not confuse federal adjusted gross income with federal taxable income shown on the federal return.)**

Where husband and wife have filed a joint return for federal income tax purposes and have not elected to file a joint Kentucky income tax return, each spouse must claim his or her own income and deductions.

If you are not required to file a federal income tax return, enter on Line 6 the total of wages, salaries, tips, fees, commissions, bonuses, other payments for personal services, taxable scholarships and fellowships, taxable interest and dividends, trade or business income, unemployment compensation and all other income from sources within and without Kentucky including amounts not reported on attached wage and tax statements. If you have income not supported by a wage and tax statement, attach a supporting schedule showing the source and amount. Indicate on Line 8 on the Kentucky return "not required to file federal return."

DETERMINING KENTUCKY ADJUSTED GROSS INCOME

Kentucky law requires that the individual income tax return begin with federal adjusted gross income and be adjusted for any differences to arrive at Kentucky adjusted gross income. Part II is designed to make "additions to" federal adjusted gross income and Part III provides for "subtractions from" federal adjusted gross income. For a list of differences, see federal/ Kentucky differences chart on page 4 and the line-by-line instructions below.

LINE 7—ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME (COMPLETE PART II, PAGE 2)

Line 38—Interest on securities issued by other states and their political subdivisions is taxed by Kentucky and must be reported. Also report dividends received from regulated investment companies (mutual funds) during 1997 as reported by the fund that are taxable for Kentucky income tax purposes. Interest from securities of Kentucky and its political subdivisions is exempt.

Line 39—If you are reporting the Kentucky transition amount over four years (carryover amount), enter the amount from the 1994 Form 762TS, Line 5, here. Attach a copy of the **1994 Form 762TS**. Do not include transition income from passive activities included on Form 8582-K.

Line 40—Enter additions from Kentucky Schedule K-1. Partners, beneficiaries of estates and trusts and S corporation shareholders, see Kentucky Schedule K-1 instructions.

Line 41—Enter other additions to federal adjusted gross income not listed above (attach detailed schedule). Include the portion of a lump-sum distribution on which you have elected the 20 percent capital gains rate for federal income tax purposes (Schedule P and Form 4972-K required); the federal net operating loss deduction; and the passive activity loss adjustment (see Form 8582-K and instructions). Other additions include **differences** in: pension (3-year recovery rule) and IRA bases (include differences on Schedule P, Line 2); self-employment tax deduction due to differences in self-employment income; rural mail carrier mileage allowance; gains (losses) from the sale of intangible assets amortized under the provisions of the Revenue Reconciliation Act of 1993; etc.

At-Risk Limitations—Federal/Kentucky income (loss) differences may create different allowable losses due to at-risk limitations. If you have amounts invested in an activity for which you are not at risk and used federal Form 6198, At-Risk Limitations, complete federal Form 6198, using Kentucky amounts, to determine if the Kentucky allowable loss differs from the federal allowable loss. For a passive activity, use the Kentucky allowable loss to complete Form 8582-K. For all other activities (nonpassive), enter the difference as an "other addition" or "other subtraction" on Form 740, page 2, Line 41 or Line 49.

Note: Before entering the difference on Line 41 or Line 49 you must take into account any addition or subtraction previously made on page 2 affecting the at-risk limitations.

Line 42, Total Additions—Add Lines 38 through 41. Enter on Line 42 and on page 1, Line 7.

LINE 9—SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME (COMPLETE PART III, PAGE 2)

Line 43—Enter the amount of taxable state income tax refund or credit **reported on your federal return** and included as income on page 1, Line 6.

Line 44—Enter interest income from U.S. government bonds and securities. Do not include on Line 44 taxable interest from securities, such as FNMA (Fannie Mae), GNMA (Ginnie Mae) and FHLMC (Freddie Mac), which are merely guaranteed by the U.S. government.

Line 45—Enter the total excludable retirement income from Schedule P, Line 5.

Line 46—Enter Social Security and Social Security equivalent U.S. Railroad Retirement Board benefits included on page 1, Line 6. These amounts are reported on federal Form 1040, line 20(b) (Form 1040A, line 13(b)).

Line 47—If you are reporting the Kentucky transition amount over four years (carryover amount), enter the amount from the 1994 Form 762TS, Line 5, here. Attach a copy of the **1994 Form 762TS**. Do not include transition deduction from passive activities included on Form 8582-K.

Line 48—Enter subtractions from Kentucky Schedule K-1. Partners, beneficiaries of estates and trusts and S corporation shareholders, see Kentucky Schedule K-1 instructions.

Line 49—Enter other subtractions from federal adjusted gross income not listed above (attach detailed schedule). Include the Kentucky net operating loss deduction; passive activity

loss adjustment (see Form 8582-K and instructions); income of a child reported on the parent's return; artistic charitable contributions (if you do not itemize deductions); the federal work opportunity credit used to reduce wages; at-risk limitations (see instructions for Line 41); accelerated depreciation of a qualified farm networking project; and differences in the gains (losses) from the sale of intangible assets amortized under the provisions of the Revenue Reconciliation Act of 1993; etc.

Line 50, Total Subtractions—Add Lines 43 through 49. Enter on Line 50 and on page 1, Line 9. **If the amount on Line 50 exceeds \$1,000, a complete copy of your federal return must be attached to Form 740.**

LINE 10—KENTUCKY ADJUSTED GROSS INCOME—Subtract Line 9 from Line 8. This is your **Kentucky Adjusted Gross Income**.

If the total of Columns A and B on Line 10 is not over \$25,000, see instructions for Line 15, Low Income Credit.

Note: If the total of Columns A and B on Line 10 is \$5,000 or less, see instructions for "Who Must File a Kentucky Income Tax Return."

TAXABLE INCOME

Line 11—Itemizers, complete Schedule A and enter on Line 11. *If one spouse itemizes deductions, the other must itemize.* See specific instructions for Schedule A.

Nonitemizers, enter the standard deduction of \$900. If married filing separately on a combined return, enter \$900 in both Columns A and B. **If filing a joint return, only one \$900 standard deduction is allowed.**

Line 12—Subtract Line 11 from Line 10. This is your **Taxable Income**.

LINE 13—DETERMINING YOUR TAX

An optional tax table has been prepared for your convenience. You may use this table whether or not you itemize. Married taxpayers filing separately on a combined return may use the tax table or the tax rate schedule, or one spouse may use the tax table and the other the tax rate schedule. If you choose not to use the tax table, compute your tax using the tax rate schedule below.

If you use the tax table and you are claiming more than six tax credits, determine the tax from the table on your income using six tax credits. Then subtract \$20 from this figure for each tax credit in excess of six.

For married taxpayers, each spouse must claim all of his or her own credits. Therefore, each spouse must claim at least one credit. Credits for dependents may be divided between the spouses, or one spouse may claim all the credits for dependents and the other none.

Tax Rate Schedule

<i>If taxable amount is:</i>	<i>Tax is:</i>
\$3,000 or less	2% of taxable amount
over \$3,000 but not over \$4,000	\$60 plus 3% of amount over \$3,000
over \$4,000 but not over \$5,000	\$90 plus 4% of amount over \$4,000
over \$5,000 but not over \$8,000	\$130 plus 5% of amount over \$5,000
over \$8,000	\$280 plus 6% of amount over \$8,000

Deduct \$20 for each tax credit claimed from the amount computed using the tax rate schedule above. If this computation results in an amount less than zero, enter zero in the appropriate column on Line 13.

AVERAGING—LUMP-SUM DISTRIBUTION AND SPECIAL NONREFUNDABLE TAX CREDITS

You must file Schedule TC only if you use five- or 10-year averaging, claim a credit for tax paid to another state, claim the employer's unemployment tax credit or claim a credit for recycling and/or composting equipment. *You cannot use the tax table.* Schedules for five- or 10-year averaging, unemployment tax credit, recycling and/or composting tax credit and tax computation are available from the Revenue Cabinet.

Special Five- or 10-Year Averaging—Kentucky allows a special five- or 10-year averaging method for determining tax on lump-sum distributions received from certain retirement plans that qualify for federal five- or 10-year averaging. If this special method is used for federal purposes, Form 4972-K, Kentucky Tax on Lump-Sum Distributions, and Schedule P, Pension Income Exclusion, must be filed with Form 740, and tax must be determined on Schedule TC.

Credit for Tax Paid to Another State—Kentucky residents are required to report all income received including income from sources outside Kentucky. Within certain limitations, a credit for income tax paid to another state may be claimed on Schedule TC. You may not claim credit for tax withheld by another state. You must file a return with the other state, and pay tax on income also taxed by Kentucky in 1997 in order to claim the credit. **A copy of the other state's return including a schedule of income sources must be attached to verify this credit.** The credit is limited to the amount of Kentucky tax savings had the income reported to the other state been omitted, or the amount of tax paid to the other state, whichever is less. **If you owe tax in more than one state, the credit for each state must be computed separately.**

Reciprocal States—Kentucky has reciprocal agreements with specific states. These agreements provide certain income exemptions for residents of these states. Kentucky residents are conversely provided the same exemption. The states and types of exemptions are as follows:

- Illinois, Ohio, West Virginia—**wages and salaries**
- Indiana—**wages, salaries and commissions**
- Michigan, Wisconsin—**income from personal services**
- Virginia—**commuting daily, salaries and wages**

Kentucky does not allow a credit for tax paid **on the above types of income** to these reciprocal states. If you paid tax on these types of income to these states, you must file directly with the other state for a refund.

Employer's Unemployment Tax Credit—If you hired unemployed Kentucky residents to work for you during the last six months of 1996 or during 1997, you may be eligible to claim the unemployment tax credit. In order to claim a credit, each person hired must meet specific criteria. For each qualified person, you may claim a tax credit of \$100. The period of unemployment must be certified by the Department for Employment Services, Cabinet for Workforce Development, Second Floor West, 275 East Main Street, Frankfort, KY 40621-0001, and you must maintain a copy of the certification in your files. To claim this credit you must file Schedule UTC, and use Schedule TC to calculate your tax.

Recycling and/or Composting Tax Credit—Individuals who purchase recycling or composting equipment to be used exclusively in Kentucky for recycling or composting

postconsumer waste materials, are entitled to a credit against the tax equal to 50 percent of the installed cost of the equipment. Application for this credit must be made on Schedule RC, which may be obtained from the Revenue Cabinet. A copy of Schedule RC and/or Schedule RC (K-1) reflecting the amount of credit **approved** by the Revenue Cabinet and Schedule TC must be attached to the return. The credit claimed for the taxable year during which the equipment is purchased (installed) is limited to 10 percent of the total allowable credit and 25 percent of the tax liability less other credits claimed for the year. The unused portion

of the total credit may be carried forward to succeeding tax years limited only to 25 percent of the tax liability for the taxable year. (See Schedules RC and TC.)

TOTAL TAX LIABILITY

Line 14—Married taxpayers filing a combined return must add the amounts on Line 13, Columns A and B, and enter the sum on Line 14. Other taxpayers should enter the amount from Line 13, Column B, on Line 14.

Line 15, Low Income Credit—A low income credit is allowed to single persons and married couples whose **combined Kentucky adjusted gross income** is not over \$25,000. Complete the following worksheet to determine your low income credit.

If the amount on line c below is:		Enter decimal amount on line e
over	but not over	
—	\$ 5,000	1.00 (100%)
\$ 5,000	\$10,000	.50 (50%)
\$10,000	\$15,000	.25 (25%)
\$15,000	\$20,000	.15 (15%)
\$20,000	\$25,000	.05 (5%)

Example 1

Filing Status: Single **or** married filing joint return
Three tax credits
Kentucky adjusted gross income of \$15,000 (Form 740, line 10)

Example 2

Filing Status: Married filing separately on this combined return **or** married filing separate returns
Three tax credits (husband claims one; wife claims two)
Kentucky adjusted gross income of \$12,000 each (Form 740, line 10)

Example 3

Filing Status: Married filing separately on this combined return **or** married filing separate returns
Three tax credits (husband claims one; wife claims two)
Kentucky adjusted gross income of \$12,000 (husband) and \$14,000 (wife) (Form 740, line 10)

Low Income Credit Worksheet

a. Enter the amount from Column B, Line 10, but not less than zero.

b. Enter the amount from Column A, Line 10, but not less than zero. (If you are using Filing Status 4, enter the amount from Column B, Line 10, of your spouse's separate return.)

+

c. Add lines a and b.

If over \$25,000, you do not qualify for this credit. Do not complete the worksheet; skip Line 15.

Computation of Low Income Credit

d. Enter tax amount from Line 14.

e. Enter decimal amount from table above that applies to adjusted gross income on line c.

x

f. Multiply amount on line d by decimal amount on line e. Enter result on Line 15.

This is your Low Income Credit.

Example 1

15,000

+ 0

15,000

601

x .25

150.25

Example 2

12,000

+ 12,000

24,000

902

x .05


45

Example 3

12,000

+ 14,000

26,000



Line 17, Child and Dependent Care Credit—Enter in the space provided the amount of credit calculated on federal Form 2441, Line 9 (or Form 1040A, Schedule 2, Line 9), for child and dependent care expenses. Multiply this amount by 20 percent (.20), and enter result on Line 17.

If you do not meet the filing requirements to file a federal income tax return but would have been entitled to the federal child and dependent care credit, you may be entitled to the child and dependent care credit for Kentucky. To claim the child and dependent care credit for Kentucky purposes, complete and attach federal Form 2441, state on such form “did not meet federal filing requirements” and follow instructions for Line 17.

Line 19, Kentucky Use Tax—If, during the year, you made any out-of-state purchases of tangible personal property for use in Kentucky on which sales tax was not charged, you must report Kentucky use tax on those purchases, pursuant to KRS 139.330. Examples include mail-order catalog purchases such as clothing; sporting goods; flower bulbs, seeds and garden supplies; computer hardware and software; photographic equipment and film processing; book, tape, CD and video club purchases; magazine subscriptions; furniture; carpet; boats and boating equipment; etc. From your cancelled checks, invoices, credit card statements, etc., list on the following worksheet out-of-state purchases on which sales tax was not paid (use additional page if necessary).

Note: The items reported for use tax on Form 740 should be those purchased strictly for **personal** use. Any use tax liabilities accruing to a business such as mail-order office supplies must be reported on the sales and use tax return or the consumer’s use tax return. The Revenue Cabinet routinely conducts compliance programs with other states regarding out-of-state purchases. Persons not reporting applicable use tax will be liable for the tax plus interest and penalties.

Description of Property Purchased	Date of Purchase	Purchase Price
		\$
a. Total purchase price of property subject to use tax		\$
b. Use tax rate—6%		x .06
c. Use tax (multiply amount on line a by .06) Enter here and on page 1, line 19. Keep this worksheet for your records		\$

TAX WITHHELD OR PAID

Line 21(a)—Enter the amount of 1997 **Kentucky** income tax withheld by your employer(s). This amount is shown on wage and tax statements which you must attach to Form 740 in the designated area.

You will not be given credit for Kentucky income tax withheld unless you attach the wage and tax statements reflecting Kentucky withholding.

Employers are required to give these statements to employees no later than January 31, 1998. If by March 1 you are unable to obtain a wage and tax statement from an employer, contact the Revenue Cabinet.

You may not claim credit for tax **withheld** by another state. Within certain limitations, Kentucky residents may claim a credit for nonrefundable individual income tax **paid** to other states on Schedule TC.

Line 21(b)—Enter Kentucky estimated tax payments made for 1997 and amounts credited from the 1996 return.

Also include on Line 21(b) payments prepaid with extension requests. Identify as “prepaid with extension.”

Line 22—Enter the sum of Lines 21(a) and 21(b).

Compare the amounts on Lines 20 and 22. If Line 22 is larger than Line 20, subtract Line 20 from Line 22. Enter the difference on Line 23. This is the **AMOUNT OVERPAID**.

If Line 22 is smaller than Line 20, you owe additional tax. Subtract Line 22 from Line 20. Enter on Line 31. For instructions on payment, see **HOW TO PAY ADDITIONAL TAX DUE**.

AMOUNT OVERPAID

Line 23—If you have an overpayment on Line 23, you may have all of this amount refunded to you. You also may contribute all or part of it to the Nature and Wildlife Fund, the Child Victim’s Trust Fund, the Bluegrass State Games and U.S. Olympic Committee Fund and/or the Veterans’ Program Trust Fund and/or credit all or part of it toward your 1998 estimated tax.

Line 24, Nature and Wildlife Fund—You may contribute all or a portion of your overpayment to this fund. The amount of contribution entered on Line 24 will reduce your refund accordingly.

Line 25, Child Victim’s Trust Fund—You may contribute all or a portion of your overpayment to this fund. The amount of contribution entered on Line 25 will reduce your refund accordingly.

Line 26, Bluegrass State Games and U.S. Olympic Committee Fund—You may contribute all or a portion of your overpayment to this fund. The amount of contribution entered on Line 26 will reduce your refund accordingly.

Line 27, Veterans’ Program Trust Fund—You may contribute all or a portion of your overpayment to this fund. The amount of contribution entered on Line 27 will reduce your refund accordingly.

Line 29, Estimated Tax—You may credit all or part of the overpayment toward your estimated tax liability for 1998. Do so by entering the amount you want credited on Line 29.

Line 30—Subtract amounts entered on Lines 28 and/or 29 from Line 23. Enter the difference, if any, on Line 30. **This amount will be refunded to you.** If the total of Lines 28 and 29 equals the amount on Line 23, enter a zero on Line 30.

Note: If the amount of Kentucky tax you overpaid is excessive, obtain a copy of Form K-4A from your employer to see if you are entitled to additional allowances. If you are entitled to additional allowances, file a new Form K-4 with your employer to reduce the amount of Kentucky tax withheld.

HOW TO PAY ADDITIONAL TAX DUE

Line 31—This is your additional tax due before penalties and interest.

PENALTIES AND INTEREST

Line 32(a), Underpayment of Estimated Tax—If the amount owed is more than \$500 and more than 30 percent of the income tax liability on Line 18, you may be subject to a penalty of 10 percent of the underpayment of estimated tax.

The amount of the penalty may be calculated on Form 2210-K, which may be obtained from the Revenue Cabinet. Form 2210-K may also be used by qualifying farmers and others to claim exception to the penalty. If paying the penalty or claiming an exemption, complete Form 2210-K, attach it to your return and check the block below Line 32(a). Enter the amount of the penalty on Line 32(a).

Note: Taxpayers claiming a credit for tax paid to another state on Schedule TC, Line 5(b), must add the credit to Lines 1 and 4, Part II, Form 2210-K, to determine the underpayment and penalty.

Other Penalties and Interest

If your return is filed and all tax due is paid before April 15, 1998, you do not owe any other penalties or interest. If your return is filed after April 15, 1998, or any tax due on the return is paid after April 15, 1998, you may be subject to additional penalties and interest.

Line 32(b), Interest—Interest will be assessed at the "tax interest rate" from the original due date of the return until the date of payment.

Line 32(c), Late Payment Penalty—If the amount of tax due as shown on Line 31 is not paid by the original due date of the return, a penalty of 2 percent of the tax computed due may be assessed for each 30 days or fraction thereof that the tax is past due, not to exceed 20 percent. The minimum penalty is \$10. However, if the amount timely paid is 75 percent of the tax determined due by the Revenue Cabinet, no late payment penalty will be assessed.

Line 32(d), Late Filing Penalty—If a return is not filed by the due date or the extended due date, a penalty of 2 percent of the total tax due for each 30 days or fraction thereof that a return is not filed may be assessed, not to exceed 20 percent. The minimum penalty is \$10.

Note: Penalties but not interest may be reduced or waived if reasonable cause for reduction or waiver can be shown.

AMOUNT YOU OWE

Line 33—When filing the return, you must pay any tax due shown on Line 33. Attach check payable to **Kentucky State Treasurer** to your return. *To help identify your payment properly, write "KY Income Tax—1997" and your Social Security number on the face of the check.* Attach check at the left side of Form 740. Place the check on TOP of any wage and tax statements.

Note: If you are a recipient of income from a pension or annuity which causes you to pay additional Kentucky income tax, you may contact the payer and request voluntary Kentucky withholding.

SIGN RETURN

Be sure to sign your return on page 2. Each return must be signed by the taxpayer. Joint and combined returns must be signed by both husband and wife. Returns that are not signed may not be returned to you for signature. An unsigned return is not valid; therefore, **no refund will be issued on an unsigned return.**

Please enter a telephone number where you can be reached during regular working hours. You may be contacted for information which may help in processing tax returns.

1998 INCOME TAX BOOKLET

If you do not wish to receive a complete booklet of tax forms for 1998, check the box below the signature line on page 2. Paid-preparer returns will automatically be sent a postcard. A postcard containing a name and address label for filing the 1998 return will be mailed to you.

WHEN TO FILE

The income tax return for calendar year 1997 must be postmarked no later than April 15, 1998, to avoid penalties and interest. Mail to:

Refund/Other Returns
Kentucky Revenue Cabinet
Frankfort, KY 40618-0006

Pay Returns
Kentucky Revenue Cabinet
Frankfort, KY 40619-0008

Taxpayers who expect refunds should file as early as possible to receive refunds promptly. If you have your tax return prepared by another person, you may wish to mail the return yourself in order to insure prompt filing.

EXTENSION OF TIME TO FILE

Taxpayers who are unable to file a return by April 15 may request an extension. Inability to pay is not an acceptable reason. Acceptable reasons include, but are not limited to, destruction of records by fire or flood and serious illness of the taxpayer. The request for the extension must be submitted in writing to the Revenue Cabinet on or before the due date of the return. The request must state a reasonable cause for the inability to file. Extensions are limited to six months. **A copy of the Kentucky extension request must be attached to the return.**

Individuals who receive a federal extension are not required to request a separate Kentucky extension. They can meet the requirements by attaching a copy of the application for automatic federal extension or the **approved** federal extension to the Kentucky return.

Kentucky residents who are in the military are often granted extensions for military service when serving outside the United States. Any extension granted for federal income tax purposes will be honored for Kentucky income tax purposes. Any income earned in a combat zone that is exempt for federal tax purposes is also exempt for Kentucky tax purposes.

Interest at the "tax interest rate" applies to any income tax paid after the original due date of the return. If the amount of tax paid by the original due date is less than 75 percent of the tax due, a late payment penalty may be assessed (minimum penalty is \$10). Interest and late payment penalty charges can be avoided by remitting payment with the Extension Payment Voucher by the due date.

If you wish to make a payment prior to the due date of your tax return, complete Section II of the Application for Extension of Time to File, Form 40A102, and remit with payment. Write "KY Income Tax—1997" and your Social Security number(s) on the face of the check.

RETURN ADJUSTMENTS

If the Revenue Cabinet adjusts your return and you do not understand the adjustment, you may write to Taxpayer Assistance, Revenue Cabinet, P.O. Box 1190, Frankfort, KY 40602-1190 or call (502) 564-4581. If you disagree with an adjustment made to your return, you may appeal that adjustment by submitting a written protest within 45 days.

AMENDED RETURNS

If you discover that you omitted deductions, you may obtain a refund by filing an amended return within four years of the due date of the original return. *You are required to file an amended return to report omitted income.* You may obtain Form 740-X by contacting a Kentucky Taxpayer Service Center or writing FORMS, Revenue Cabinet, Frankfort, KY 40620.

FEDERAL AUDIT ADJUSTMENTS

Taxpayers who have received a final determination of an Internal Revenue Service audit must submit a copy to the Cabinet within 30 days of its conclusion. The information

should be submitted to the Individual Government Program Section, Revenue Cabinet, P.O. Box 1190, Frankfort, KY 40602-1190.

1998 ESTIMATED TAX PAYMENTS

Persons who reasonably expect to have income in excess of \$5,000 from which no Kentucky income tax will be withheld may be required to make estimated tax payments on Form 740-ES. However, if the amount of estimated tax is \$500 or less, no estimated payments are required. Persons who do not prepay at least 70 percent of the tax liability may be subject to a 10 percent penalty for underpayment of estimated tax. Prepayments for 1998 may be made through withholding, a credit forward of a 1997 overpayment or estimated tax installment payments. Married taxpayers filing a combined return should make joint payments of estimated tax. Form 740-ES contains a worksheet for calculating the amount of estimated tax due and instructions for making installment payments. These may be obtained from the Revenue Cabinet, Frankfort, KY 40620, or any Kentucky Taxpayer Service Center.

► INSTRUCTIONS FOR SCHEDULE A

You may itemize your deductions for Kentucky even if you do not itemize for federal purposes. Generally, if your deductions exceed \$900, it will benefit you to itemize. If you do not itemize, a standard deduction of \$900 is allowed.

Special Rules for Married Couples—*If one spouse itemizes deductions, the other must itemize.* Married couples filing a joint federal return and who wish to file separate returns or a combined return for Kentucky may: (a) file separate Schedules A showing the specific deductions claimed by each, or (b) file one Schedule A and divide the total deductions between them based on the percentage of each spouse's income to total income.

Limitations on Itemized Deductions for High-Income Taxpayers—If your adjusted gross income on Form 740, Line 10, exceeds \$121,200 (\$60,600 if married filing separately on a combined return or separate returns), your itemized deductions are reduced by the lesser of:

- (a) 3 percent of the amount by which your adjusted gross income exceeds \$121,200 (\$60,600 if married filing separately on a combined return or separate returns), or
- (b) 80 percent of your total itemized deductions except medical and dental expenses, casualty and theft losses, gambling losses and investment interest.

The limitations are computed on page 2, Schedule A (Form 740).

MEDICAL AND DENTAL EXPENSES

You may deduct only your medical and dental expenses that exceed 7.5 percent of Line 10, Form 740. Include all amounts you paid during 1997 (including amounts you paid for hospital, medical and extra Medicare (Medicare B) insurance),

but **do not** include amounts which have been repaid to you, or paid to anyone else, by hospital, health or accident insurance, or your employer. Federal rules apply for reimbursement.

When you compute your deduction, you may include medical and dental bills you paid for:

- Yourself.
- Your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules for Children of Divorced or Separated Parents.
- Any person that you could have claimed as a dependent on your return if that person had not received \$2,650 or more of gross income or had not filed a joint return.

Examples of Medical and Dental Payments You MAY Deduct

To the extent you were not reimbursed, you may deduct what you paid for:

- Medicines and drugs that required a prescription, or insulin.
- Medical doctors, dentists, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists and psychoanalysts (medical care only).
- Medical examinations, X-ray and laboratory services, insulin treatment and whirlpool baths your doctor ordered.
- Nursing help. If you pay someone to do both nursing and housework, you may deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs and lab fees.

Medical treatment at a center for drug addicts or alcoholics.

Medical aids such as hearing aids (and batteries), false teeth, eyeglasses, contact lenses, braces, crutches, wheelchairs, guide dogs and the cost of maintaining them.

Lodging expenses (but not meals) paid while away from home to receive medical care in a hospital or a medical care facility that is related to a hospital. Do not include more than \$50 a night for each eligible person.

Ambulance service and other travel costs to get medical care. If you used your own car, you may claim what you spent for gas and oil to go to and from the place you received the care; or you may claim 9 cents a mile. Add parking and tolls to the amount you claim under either method.

Examples of Medical and Dental Payments You MAY NOT Deduct

You may not deduct payments for the following:

Elective cosmetic surgery.

The basic cost of Medicare insurance (Medicare A).

(Note: If you are 65 or over and not entitled to Social Security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.)

Life insurance or income protection policies.

The hospital insurance benefits (Medicare) tax withheld from your pay as part of the Social Security tax or paid as part of Social Security self-employment tax.

Nursing care for a healthy baby.

Illegal operations or drugs.

Medicines or drugs you bought without a prescription.

Travel your doctor told you to take for rest or change.

Funeral, burial or cremation costs.

See federal Publication 502 for more information on allowable medical and dental expenses including deductions for capital expenditures and special care for persons with disabilities.

TAXES

Taxes You MAY Deduct

Local Income Taxes—On Line 5, enter the total amount of local occupational (payroll) tax paid. **Do not include state income taxes paid or withheld; they are not deductible.**

Real Estate Taxes—Line 6 is for reporting the amount of local and state property taxes you paid on real estate owned by you. Do not report real estate taxes here that were paid in connection with a business or profession and have been deducted on Schedule C, E or F.

Personal Property Taxes—Use Line 7 to itemize property taxes paid on automobiles, intangible property (stocks, bonds, etc.) or other personal property.

Other Taxes—Other taxes that are deductible on Line 8 include foreign income taxes paid. Do not deduct on Schedule A any nonbusiness federal taxes or any taxes paid in connection with a business or profession which are deductible on Schedule C, E or F (i.e., Kentucky Health Care Provider Tax). Salaried physicians see instructions for Line 24, Miscellaneous Deductions.

Taxes You MAY NOT Deduct

Sales and use taxes.

Usage taxes on motor vehicles.

State or federal income taxes.

State or federal inheritance or estate taxes.

State gasoline taxes.

Federal excise taxes on your personal expenditures, such as taxes on theater admissions, furs, jewelry, cosmetics, tires, telephone service, airplane tickets, etc.

Federal Social Security taxes.

Hunting, fishing or dog licenses.

Auto inspection fees.

Auto license fees.

Cigarette or liquor taxes.

Taxes paid by you for another person.

Motorboat registration fees.

Drivers' license fees.

Sewer assessments.

School taxes based on electric, water, sewer, gas and telephone bills.

Local or state insurance premiums taxes or surcharges.

INTEREST

You may deduct interest that you have paid during the taxable year on a home mortgage. You may not deduct interest paid on credit or charge card accounts, a life insurance loan, an automobile or other consumer loan, delinquent taxes or on a personal note held by a bank or individual.

Interest paid on business debts should be deducted as a business expense on the appropriate business income schedule.

You may not deduct interest on an indebtedness of another person when you are not legally liable for payment of the interest. Nor may you deduct interest paid on a gambling debt or any other nonenforceable obligation. Interest paid on money borrowed to buy tax-exempt securities or single premium life insurance is not deductible.

Line 10—List the interest and points (including "seller-paid points") paid on your home mortgage to financial institutions and reported to you on federal Form 1098.

Line 11—List other interest paid on your home mortgage and not reported to you on federal Form 1098. Show name and address.

Line 12—List points (including "seller-paid points") not reported to you on federal Form 1098. Points (including loan origination fees) charged only for the use of money and paid with funds other than those obtained from the lender are deductible over the life of the mortgage. However, points may be deducted in the year paid if all three of the following apply: (1) the loan was used to **buy, build or improve your main home**, and was secured by that home, (2) the points did not exceed the points usually charged in the area where the loan was made, and were figured as a percentage of the loan amount, and (3) if the loan was used to **buy or build** the home, you must have provided funds (see below) at least equal to the points charged. If the loan was used to **improve** the home, you must have paid the points with funds other than those obtained from the lender.

Funds provided by you include down payments, escrow deposits, earnest money applied at closing, and other amounts actually paid at closing. They do not include amounts you borrowed as part of the overall transaction.

Seller-Paid Points—If you are the buyer, you may be able to deduct points the seller paid in 1997. You can do this if the loan was used to buy your main home and the points meet item 2 above. You must reduce your basis in the home by those points, even if you don't deduct them.

If you are the seller, you **cannot** deduct the points as interest. Instead, include them as an expense of sale on federal Form 2119, Sale of Your Home.

This generally does not apply to points paid to refinance your mortgage. Federal rules apply. See federal Publication 936 for more information.

Line 13, Interest on Investment Property—Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to a passive activity.

Complete and attach federal Form 4952, Investment Interest Expense Deduction, to figure your deduction.

You do not have to file federal Form 4952 if all of the following apply:

- (a) Your only investment income was from interest or dividends,
- (b) You have no other deductible expenses connected with the production of the interest or dividends,
- (c) Your investment interest expense is not more than your Kentucky investment income, and
- (d) You have no carryovers of investment interest expense from 1996.

For more details, see federal Publication 550, Investment Income and Expenses.

CONTRIBUTIONS

You may deduct what you actually gave to organizations that are religious, charitable, educational, scientific or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals. In general, contributions deductible for federal income tax purposes are also deductible for Kentucky.

Examples of qualifying organizations are:

Churches, temples, synagogues, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys and Girls Clubs of America, etc.

Fraternal orders if the gifts will be used for the purposes listed above.

Veterans' and certain cultural groups.

Nonprofit schools, hospitals and organizations whose purpose is to find a cure for, or help people who have arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.

Federal, state and local governments if the gifts are solely for public purposes.

If you contributed to a qualifying charitable organization and also received a benefit from it, you may deduct only the amount that is more than the value of the benefit you received.

Contributions You MAY Deduct

Contributions may be in cash, property or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described above. If you drove to and from the volunteer work, you may take 12 cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. (But do not deduct any amounts that were repaid to you.)

You are required to maintain receipts, cancelled checks or other reliable written documentation showing the name of the organization and the date and amount given to support claimed deductions for charitable contributions.

Separate contributions of \$250 or more require written substantiation from the donee organization in addition to your proof of payment. It is your responsibility to secure substantiation. A letter or other documentation from the qualifying charitable organization that acknowledges receipt of the contribution and shows the date and amount constitutes a receipt. **This substantiation should be kept in your files. Do not send it with your return.**

See federal Publication 526 for special rules that apply if:

- Your total deduction for gifts of property is over \$500,
- You gave less than your entire interest in the property,
- Your cash contributions or contributions of ordinary income property are more than 30 percent of Line 10, Form 740,
- Your gifts of capital gain property to certain organizations are more than 20 percent of Line 10, Form 740, or
- You gave gifts of property that increased in value, made bargain sales to charity, or gave gifts of the use of property.

You MAY NOT Deduct as Contributions

Travel expenses (including meals and lodging) while away from home unless there was no significant element of personal pleasure, recreation or vacation in the travel.

Political contributions.

Dues, fees or bills paid to country clubs, lodges, fraternal orders or similar groups.

Value of any benefit, such as food, entertainment or merchandise, that you received in connection with a contribution to a charitable organization.

Cost of raffle, bingo or lottery tickets.

Cost of tuition.

Value of your time or service.

Value of blood given to a blood bank.

The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).

Gifts to:

Individuals.

Foreign organizations.

Groups that are run for personal profit.

Groups whose purpose is to lobby for changes in the laws.

Civic leagues, social and sports clubs, labor unions and chambers of commerce.

Line 15—Enter on Line 15 all of your contributions paid by cash or check (including out-of-pocket expenses).

Line 16—Enter on Line 16 your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. If your total deduction for gifts of property is more than \$500, you must complete and attach federal Form 8283, Noncash Charitable Contributions. If your total deduction is over \$5,000, you may also have to obtain appraisals of the values of the donated property. See federal Form 8283 and its instructions for details.

Enter on Line 16 the value of a leasehold interest property contributed to a charitable organization to provide temporary housing for the homeless. Attach Schedule HH.

Recordkeeping—If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift and a description of the property. You should also

keep reliable written records for each gift of property that include the following information:

- (a) How you figured the property's value at the time you gave it. (If the value was determined by an appraisal, you should also keep a signed copy of the appraisal.)
- (b) The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- (c) How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
- (d) Any conditions attached to the gift.
- (e) If the gift was a "qualified conservation contribution" under IRC Section 170(h), the fair market value of the underlying property before and after the gift, the type of legal interest donated and the conservation purpose furthered by the gift.

Line 17—Enter on Line 17 artistic charitable contributions. A deduction is allowed for "qualified artistic charitable contributions" of any literary, musical, artistic or scholarly composition, letter or memorandum, or similar property.

An amount equal to the fair market value of the property on the date contributed is allowable as a deduction. However, the deduction is limited to the amount of the taxpayer's artistic adjusted gross income for the taxable year.

The following requirements for a deduction must be met:

- (a) The property must have been created by the personal efforts of the taxpayer at least one year prior to the date contributed. The creation of this property cannot be related to the performance of duties while an officer or employee of the United States, any state or political subdivision thereof.
- (b) A written appraisal of the fair market value of the contributed property must be made by a qualified independent appraiser within one year of the date of the contribution. A copy of the appraisal must be attached to the tax return.
- (c) The contribution must be made to a qualified organization as described in this section.

Line 18—Enter on Line 18 any carryover of contributions that you were not able to deduct in an earlier year because they exceeded your adjusted gross income limit. See federal Publication 526 for details on how to figure your carryover.

CASUALTY AND THEFT LOSSES

Use Line 20 to report casualty or theft losses of property that is not trade, business, rent or royalty property. Attach federal Form 4684, Casualties and Thefts, or a similar statement to figure your loss. Enter on Line 20, Schedule A, the amount of loss from federal Form 4684.

Losses You MAY Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat and other accidents or similar causes. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You may deduct nonbusiness casualty or theft losses only to the extent that:

- (a) The amount of **each** separate casualty or theft loss is more than \$100, and

- (b) The total amount of **all** losses during the year is more than 10 percent of Line 10, Form 740.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. See federal Form 4684 for details.

Losses You MAY NOT Deduct

- Money or property misplaced or lost.
- Breakage of china, glassware, furniture and similar items under normal conditions.
- Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects or disease.

Deduct the costs of proving you had a property loss as a miscellaneous deduction on Line 26, Schedule A. (Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.)

For more details, see federal Publication 547, Nonbusiness Disasters, Casualties, and Thefts. It also gives information about federal disaster area losses.

LINES 24 THROUGH 30—MISCELLANEOUS DEDUCTIONS

Most miscellaneous deductions cannot be deducted in full. You must subtract 2 percent of your adjusted gross income from the total. Compute the 2 percent limit on Line 29.

Generally, the 2 percent limit applies to job-related expenses you paid for which you were not reimbursed (Line 24). The limit also applies to certain expenses you paid to produce or collect taxable income (Line 26). See the instructions for Lines 24 and 26 for examples of expenses to claim on these lines.

The 2 percent limit does not apply to certain other miscellaneous expenses that you may deduct. These expenses can be deducted in full on Line 31. The Line 31 instructions describe these expenses. Included are deductible gambling losses (to the extent of winnings) and certain job expenses of disabled employees. See federal Publication 529, Miscellaneous Deductions, for more information.

Expenses You MAY NOT Deduct

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property (but see casualty and theft losses).
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Expenses of going to or from your regular workplace.
- Education needed to meet minimum requirements for your job or that will qualify you for a new occupation.
- Travel expenses for employment away from home if that period of employment exceeds one year.
- Expenses of:
 - (a) Travel as a form of education.
 - (b) Attending a seminar, convention or similar meeting unless it is related to your employment.
 - (c) Adopting a child, including a child with special needs.

- Fines and penalties.
- Expenses of producing tax-exempt income.
- Amounts paid to organizations or establishments which have been found to practice discrimination.

Expenses Subject to the 2 Percent Limit

Line 24—Use this line to report job-related expenses you paid for which you were not reimbursed. In some cases you **MUST** first fill out federal Form 2106, Employee Business Expenses, or Form 2106-EZ, Unreimbursed Employee Business Expenses. Fill out Form 2106-EZ if you claim any unreimbursed travel, transportation, meal or entertainment expenses for your job. Fill out Form 2106 if your employer paid you for any of your job-related expenses reportable on Line 24.

Note: Rural mail carriers claiming the standard mileage rate are limited to 31.5 cents per mile. Rural mail carriers receiving reimbursements in excess of 31.5 cents per mile, see instructions for Form 740, Line 41 (other additions).

Enter the amount of unreimbursed employee business expense from federal Form 2106 or 2106-EZ on Line 24 of Schedule A.

If you do not have to fill out federal Form 2106 or 2106-EZ, list the type and amount of your expenses in the space provided. If you need more space, attach a statement showing the type and amount of the expense. Enter one total on Line 24.

Examples of expenses to include on Line 24 are:

- Kentucky health care provider taxes paid by salaried physicians.
- Travel, transportation, meal or entertainment expense. (**Note:** If you have any of these expenses, you must use federal Form 2106 or 2106-EZ for all of your job-related expenses.)
- Union dues.
- Safety equipment, small tools and supplies required for your job.
- Uniforms required by your employer, and which you may not usually wear away from work.
- Protective clothing, required in your work, such as hard hats and safety shoes and glasses.
- Physical examinations required by your employer.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.
- Business use of part of your home but only if you use that part exclusively and on a regular basis in your work and for the convenience of your employer. For details, including limits that apply, see federal Publication 587, Business Use of Your Home.
- Education expenses you paid that were required by your employer, or by law or regulations, to keep your salary or job. In general, you may also include the cost of keeping or improving skills you must have in your job. For more details, see federal Publication 508, Educational Expenses. Some education expenses are not deductible. See "Expenses You MAY NOT Deduct."

Line 25—Use this line to report tax return preparation fees paid during the taxable year including fees paid for filing your return electronically.

Line 26—Use this line for amounts you paid to produce or collect taxable income and manage or protect property held for earning income. List the type and amount of each expense in the space provided. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on Line 26. Examples of these expenses are:

- Safe deposit box rental.
- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (e.g., trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For more information (including limits on the amount you can deduct), see federal Publication 529.
- Deduction for repayment of amounts under a claim of right if \$3,000 or less.
- Expenses related to an activity not engaged in for profit. These expenses are limited to the income from the activity that you reported on federal Form 1040, Line 22. See Not-for-Profit Activities in federal Publication 535, Business Expenses, for details on how to figure the amount to deduct.

Expenses NOT Subject to the 2 Percent Limit

Line 31—Use this line to report miscellaneous deductions that are **NOT** subject to the 2 percent adjusted gross income limit. Only the expenses listed below can be deducted on Line 31.

- Gambling losses to the extent of gambling winnings. Gambling winnings must be included in federal adjusted gross income (Form 740, Line 6). (**Note:** Gambling losses must be verified by supplemental records. These include a diary and unredeemed tickets, payment slips and winning statements.)
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if more than \$3,000. See federal Publication 525.
- Unrecovered investment in a pension.
- Impairment-related work expenses of a disabled person.

List the type and amount of each expense. Enter one total on Line 31. For more information on these expenses, see federal Publication 529.

LINE 32—TOTAL ITEMIZED DEDUCTIONS

If the amount on Form 740, Line 10, exceeds \$121,200 (\$60,600 if married filing separately on a combined return or separate returns), skip Lines 33 through 36 and complete the schedule on page 2.

Dividing Deductions Between Spouses—Married taxpayers who are filing separate returns or a combined return but using only one Schedule A must divide the itemized deductions. Complete Lines 33 through 36, Schedule A.

Kentucky Revenue Cabinet Mission Statement

To provide courteous, accurate and efficient services for the benefit of Kentucky and its citizens, and administer the tax laws of the Commonwealth in a fair and impartial manner.

The Kentucky Revenue Cabinet does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.

YOUR RIGHTS AS A KENTUCKY TAXPAYER

The mission of the Kentucky Revenue Cabinet (KRC) is to provide courteous, accurate and efficient services for the benefit of Kentucky and its citizens, and administer the tax laws of the Commonwealth in a fair and impartial manner.

As a Kentucky taxpayer, you have the right to expect the KRC to honor its mission and uphold your rights every time you contact or are contacted by the KRC.

RIGHTS OF TAXPAYER

Privacy—You have the right to privacy of information provided to the KRC.

Assistance—You have the right to advice and assistance from the KRC in complying with state tax laws.

Explanation—You have the right to a clear and concise explanation of:

- basis of assessment of additional taxes, interest and penalties, or the denial or reduction of any refund or credit claim;
- procedure for protest and appeal of a determination of the KRC; and
- tax laws and changes in tax laws so that you can comply with the law.

Protest and Appeal—You have the right to protest and appeal a determination of the KRC if you disagree with an assessment of tax or penalty, reduction or a denial of a refund, a revocation of a license or permit, or other determination made by the KRC.

Conference—You have the right to a conference to discuss a tax matter.

Representation—You have the right to representation by your authorized agent (attorney, accountant or other person) in any hearing or conference with the KRC. You have the right to be informed of this right prior to the conference or hearing. If you intend for your representative to attend the conference or hearing in your place, you may be required to give your representative a power of attorney before the KRC can discuss tax matters with your representative.

Recordings—You have the right to make an audio recording of any meeting, conference or hearing with the KRC, or to be notified in advance if the KRC plans to record the proceedings and to receive a copy of any recording.

Consideration—You have the right to consideration of:

- waiver of penalties or collection fees if "reasonable cause" for reduction or waiver is given ("reasonable cause" is defined in KRS 131.010(9) as: "an event, happening, or circumstance entirely beyond the knowledge or control of a taxpayer who has exercised due care and prudence in the filing of a return or report or the payment of monies due the cabinet pursuant to law or administrative regulation");
- installment payments of delinquent taxes, interest and penalties;

- waiver of interest and penalties, but not taxes, resulting from incorrect written advice from the KRC if all facts were given and the law did not change or the courts did not issue a ruling to the contrary;
- extension of time for filing reports or returns; and
- payment of charges incurred resulting from an erroneous filing of a lien or levy by the KRC.

Guarantee—You have the right to a guarantee that KRC employees are not paid, evaluated or promoted based on taxes assessed or collected, or a tax assessment or collection quota or goal imposed or suggested.

Damages—You have the right to file a claim for actual and direct monetary damages with the Kentucky Board of Claims if a KRC employee willfully, recklessly and intentionally disregards your rights as a Kentucky taxpayer.

Interest—You have the right to receive interest on an overpayment of tax, except delinquent property tax, payable at the same rate you would pay if you underpaid your tax.

REVENUE CABINET RESPONSIBILITIES

The KRC has the responsibility to:

- perform audits, conduct conferences and hearings with you at reasonable times and places;
- authorize, require or conduct an investigation or surveillance of you only if it relates to a tax matter;
- make a written request for payment of delinquent taxes which are final, due and owing at least 30 days prior to seizure and sale of your assets;
- conduct educational and informational programs to help you understand and comply with the laws;
- publish clear and simple statements to explain tax procedures, remedies, your rights and obligations, and the rights and obligations of the KRC;
- notify you in writing when an erroneous lien or levy is released and, if requested, notify major credit reporting companies in counties where lien was filed;
- advise you of procedures, remedies and your rights and obligations with an original notice of audit or when an original notice of tax due is issued, a refund or credit is denied or reduced, or whenever a license or permit is denied, revoked or canceled;
- notify you in writing prior to termination or modification of a payment agreement;
- furnish copies of the agent's audit workpapers and a written narrative explaining the reason(s) for the assessment; and
- resolve tax controversies on a fair and equitable basis at the administrative level.

PROTEST AND APPEAL PROCEDURE

Protest—You have the right to protest a determination of the KRC, such as an assessment of tax or penalty, reduction or a denial of a refund, or a revocation of a license or permit. To do so:

- submit a written protest within 45 days from the original notice date;
- identify the type of tax involved and give the account number, Social Security number or other identification number;
- explain why you disagree;
- attach any proof or documentation available to support your protest or request additional time to support your protest;
- sign your statement, include your daytime telephone number and mailing address; and
- mail to the Kentucky Revenue Cabinet at the address shown on the KRC's determination which is being protested.

Conference—If you have not been able to resolve the tax matter through your protest, you have the right to request a conference to discuss the issue.

Independent Informal Review—If you feel after the conference that you have not been treated in a fair and equitable manner, you have the right to request an independent informal review.

Final Ruling—If you do not want to have a conference or if the conference did not resolve your protest, you have the right to request a final ruling of the KRC so that you can appeal your case further.

Appeal—If you do not agree with the KRC's final ruling, you can file a written appeal with the Kentucky Board of Tax Appeals. If you do not agree with the decision of the Kentucky Board of Tax Appeals, you have the right to appeal the ruling to the Kentucky courts (first to the circuit court in your home county or in Franklin County, then to the Kentucky Court of Appeals, and you have the right to request a review by the Kentucky Supreme Court).

Note: The above protest and appeal procedures do not apply for real property which is valued by the local property valuation administrator (PVA). Contact the local PVA for information about how to appeal the valuation of real property.

WHERE TO GET ASSISTANCE

The KRC has offices in Frankfort and taxpayer service centers in 11 cities and towns throughout Kentucky. KRC employees in the service centers answer tax questions and provide assistance. The office locations and telephone numbers are listed on page 2 of the instructions in this packet.

The KRC also has a Taxpayer Ombudsman's Office which consists of the Ombudsman and a staff whose job is to serve as an advocate for taxpayers' rights. One of the main functions of the office is to ensure that your rights as a Kentucky taxpayer are protected by the KRC.

Also, an important function of the Taxpayer Ombudsman's Office is to confer with KRC employees when you have a problem or conflict that you have been unable to resolve. However, it is not the role of the Ombudsman's Office to intercede in an audit, handle a protest, waive taxes, penalty or interest, or answer technical tax questions. To file a protest, see PROTEST AND APPEAL PROCEDURE. Please do not mail your protest to the Ombudsman.

The Ombudsman's Office is your advocate and is there to make sure your rights are protected. If you think you are not being treated fairly or if you have a problem or complaint, please contact the Ombudsman's Office so they can help you.

The Taxpayer Ombudsman's Office may be contacted by telephone at (502) 564-7822 (between 8:00 a.m. and 4:30 p.m. weekdays). From a Telecommunication Device for the Deaf (TDD), call (502) 564-3058. The mailing address is: Office of Taxpayer Ombudsman, P.O. Box 930, Frankfort, Kentucky 40602-0930.

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This information merely summarizes your rights as a Kentucky taxpayer and the responsibilities of the Revenue Cabinet. The Kentucky Taxpayers' Bill of Rights may be found in the Kentucky Revised Statutes (KRS) at Chapter 131.041—131.081. Additional rights and responsibilities are provided for in KRS 131.020, 131.110, 131.170, 131.183, 131.500, 133.120, 133.130, 134.580 and 134.590.